BRIEF IN SUPPORT OF MOTION.

On December 22, 1942, motion was made herein to supplement the record by filing a certified copy of the Debtor's balance sheet as of October 31, 1942, and summary of revenues and expenses for the month of October, 1942. On February 23, 1943, a similar motion was made to supplement the record by filing a certified copy of the balance sheet of the Debtor as of December 31, 1942, and of the income account for the calendar year 1942. The present motion is to supplement the record by filing (a) a certified copy of the combined balance sheet as of December 31, 1942, for the Debtor and its wholly owned subsidiary, Chicago, St. Paul, Minneapolis and Omaha Railway Company (not in reorganization), as of December 31, 1942; (b) the combined income account, being a summary of revenues and expenses of said carriers constituting Debtor's system, for the calendar year 1942; (c) a statement of the assets and liabilities of the Debtor as of January 31, 1943, and statement of revenues and expenses of the Debtor for the month of January, 1943; and (d) a statement of cash, temporary cash investments, and special deposits of the Debtor as of March 18, 1943.

In the Motion Further to Supplement the Record of February 23, 1943, we included in Appendix B the income account of the Debtor's estate for the year ended December 31, 1942; in Appendix B hereto we show the income account for the Debtor and its wholly owned subsidiary combined, for the year ending December 31, 1942. The following table is a comparison of the income account of the Debtor and of the system, showing in the final column the additional amount of said items resulting from com-

bining the two properties of the system, over the same items for the Debtor's estate alone, for the calendar year 1942.

INCOME ACCOUNT FOR 1942

	C.&N.W.	System	Additional
I. Operating Income			
Operating Revenue	$138,395,019	$162,125,143	$23,730,124
Operating Expenses	94,341,802	111,999,862	17,658,062
Net Revenue from Ry. Operations	$ 44,053,217	$ 50,125,281	$ 6,072,064
Railway Tax Accruals	17,139,618	18,657,521	1,517,903
Railway Operating Income	$ 26,913,599	$ 31,467,760	$ 4,554,161
Net Rents (Payable) Dr.	1,973,600	3,346,439	1,372,839
Net Railway Operating Income	$ 24,939,999	$ 28,121,321	$ 3,181,322
II. Other Income			
Total Other Income	1,653,997	1,717,314	63,317
Total Income	$ 26,593,996	$ 29,838,635	$ 3,244,639
III. Miscellaneous Deductions from Income			
Total Misc. Deductions	189,002	195,442	6,440
Income available for fixed charges	$26,404,994	$ 29,643,193	$ 3,238,199
Income available for fixed charges before income taxes*	35,742,316	38,980,515	3,238,199

* Includes accruals for federal income tax, $9,337,322, shown in Appendix B, Motion Further to Supplement the Record, February 23, 1943.

We think it particularly important to note the results of operation for the system because securities of the Debtor's subsidiary are pledged as collateral for the loan made by the Reconstruction Finance Corporation, and for the new secured notes in the approximate amount of $25,000,000. All of the First Mortgage, Series A, 5 Per Cent Bonds in the amount of $45,186,000 are collateral with other securities as provided in the Commission's plan, to secure Reconstruction Finance Corporation 15-

Year Notes. One of the principal reliefs sought in this proceeding by the Debtor corporation is readjustment of the participation by Reconstruction Finance Corporation in the plan of reorganization, and particularly the Debtor requests that the loan from the Reconstruction Finance Corporation be paid off in whole or in part in cash, with release of the securities of the new company allocated to Reconstruction Finance Corporation under the plan, and modification of the plan by the Commission to give effect to such payment. It will be noted from the foregoing table that net revenue from railway operations of the system is greater than for the Debtor alone, in the sum of $6,072,064, and that income available for fixed charges before income taxes for the system is $38,980,515, or $3,238,199 greater than the same item for the Debtor alone.

The following table is a comparison of three items of the current assets of the Debtor's estate as of December 31, 1942,[1] and March 18, 1943,[2] with the statement of the increase between said dates in said cash items:

CURRENT ASSETS	Dec. 31, 1942	Mar. 18, 1943	Increase
(708) Cash	$40,227,077	$48,046,944	$ 7,819,867
(709) Temporary Cash Investments	17,226,181	21,226,181	4,000,000
(711) Special Deposits	6,982,251	6,619,404	362,847*
Total	$64,435,509	$75,892,529	$11,457,020

* Decrease

It will be noted from the foregoing table that the cash, available for immediate use, increased during the period ending March 18, 1943, in the amount of $11,457,020.

In the following table we show a statement for the Debtor combined with its wholly owned subsidiary, Chi-

[1] Appendix A, Motion Further to Supplement Record, February 23, 1943.

[2] Appendix D hereto.

cago, St. Paul, Minneapolis and Omaha Railway Company, as of December 31, 1942, and as of March 18, 1943, the latter being computed by adding the increase in the three cash accounts in the current assets of the Debtor as shown above to the said items for the system as shown in Appendix A hereto:

	Dec. 31, 1942†	Mar. 18, 1943
(708) Cash	$45,570,567	$53,390,434
(709) Temporary Cash Investments	17,226,181	21,226,181
(711) Special Deposits	7,092,126	6,725,279
Total	$69,888,874	$81,341,894

† Taken from Appendix A hereto.

It will be noted that system cash available on March 18, 1943, was $81,341,894. After paying the indebtedness to the Reconstruction Finance Corporation, which as of December 31, 1942, principal and interest at four per cent, amounted to $48,322,687, there would be left in cash the sum of $33,019,207. There would still remain ample working capital to maintain and operate the properties of the Debtor now in control of the Trustee.

We have asked this Court to note the marked improvement in the financial condition of the Debtor and of the Debtor's system, so as to show clearly that there has been such a change in financial position determining a fair and equitable plan of reorganization as to warrant remanding the proceedings to the Commission with directions to consider whether the plan of reorganization should be modified so as (a) to permit payment, in whole or in part, of the debt to the Reconstruction Finance Corporation, (b) to require a change in the effective date of the plan, and consequent modification in such plan of reorganization, and (c) to allow strengthening the securities given to the

creditors already provided for in the plan, further allotment of securities to the holders of convertible bonds of 1949, and possible participation of preferred and common stockholders.

Respectfully submitted,

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LUTHER M. WALTER,
Attorneys for Chicago and North Western Railway Company, Debtor,
Petitioner.

Dated at Chicago, Illinois, this 24th day of March, 1943.